PROVINCE OF SASKATCHEWAN

2011

ANNUAL REPORT

EXTENDED HEALTH CARE PLAN

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the sixteenth Annual Report of the Extended Health Care Plan for the year ending December 31, 2011.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Joint Board of Trustees, I have the honour to transmit herewith the sixteenth Annual Report of the Extended Health Care Plan for the year ending December 31, 2011.

Brian Smith
Ministry of Finance (PEBA)

Extended Health Care Plan

Introduction

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to PS/GE SGEU and CUPE 600 employees.

As at December 31, 2011, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600.

Joint Board of Trustees

Brian Smith
Ministry of Finance (PEBA)

Kevin Wilson
Ministry of Health

Tracey Smith
Ministry of Health

Bridget McLeod
Public Service Commission

Nathan Hagen
Public Service Commission

Saskatchewan Government and General Employees' Union (SGEU):

Tim Earing

Jack Duvall

Kirk Hogarth

Barry Nowoselsky

Canadian Union of Public Employees (CUPE), Local No. 600:

Jacalyn Luterbach

Joe Murrell

Participating Employers

The following employees participate in The Extended Health Care Plan:

With respect to employees who are members of the Saskatchewan Government and General Employees' Union (SGEU):

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Enterprise Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Saskatchewan Archives Board
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Technical Safety Authority of Saskatchewan
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

With respect to employees who are members of the Canadian Union of Public Employees (CUPE), Local No. 600:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Plan pays a monthly premium to Group Medical Services on behalf of employees. The Plan's risk is limited to the payment of the monthly premium as follows under the two year contract effective January 1, 2010:

Single	$47.21	per month
Couple	$92.18	per month
Family	$113.92	per month

Funding

Separate funding agreements are in effect for both PS/GE SGEU and CUPE 600 employees.

Funding for PS/GE SGEU members covered is:

- effective October 1, 1996, 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective October 1, 2001, 1.28% of straight time annual payroll
- effective October 1, 2006, 1.78% of straight time annual payroll
- contributions to the Benefit Plan Surplus fund are:
  - effective September 30, 1996 - 0.07% of straight time annual payroll;
  - effective September 30, 1997 - 0.37% of straight time annual payroll;
  - effective October 1, 1999 - 0.47% of straight time annual payroll;
  - effective October 1, 1999 – lump sum contributions $2 million
  - effective October 1, 2001 – lump sum contributions $3.5 million
  - effective October 1, 2004 – lump sum contributions $6.9 million
  - for the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert the .25% funding from the Retiree Plan to the PS/GE SGEU Benefits Plans' Surplus Fund. This amounted to $1,013,682.
  - effective August 1, 2007 to December 31, 2009 and extended to March 31, 2010, the .47% SGEU Benefit Plans' Surplus Funding was being redirected to the Public Employees Dental Plan.

Funding for CUPE 600 members covered is:

- effective October 1, 1996, 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective September 30, 1997, 1.23% of straight time annual payroll
- effective October 1, 2006, 1.43% of straight time annual payroll
- effective December 28, 2003 to December 31, 2004, additional contribution rates were $11.54 per pay period for members paid bi-weekly and $25.00 per pay period for members paid monthly
- contributions to the Benefit Plans Surplus fund are:
  - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
  - the amount required to make up the difference between contributions and the cost of monthly premiums for eligible employees, up to 0.15% of straight time annual payroll
  - effective September 30, 1997, .37% of straight time payroll
  - effective December 20, 1999, 0.82% of straight time annual payroll.
  - effective January 1, 2005 – lump sum contributions of $748,070

Benefits

An employee is eligible for benefits at the start of the pay period immediately following a six month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

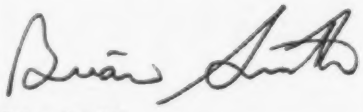
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

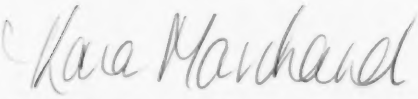
A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 2011 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency



Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
April 12, 2012

Extended Health Care Plan

Financial Statements

Year Ended December 31, 2011

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan, which comprise of the statement of financial position as at January 1, 2010, December 31, 2010 and December 31, 2011, and the statement of operations and net assets and statement of cash flow for the years ended December 31, 2010 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

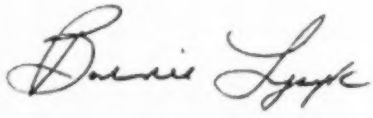
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan as at January 1, 2010, December 31, 2010 and December 31, 2011, and the results of its operations, and its cash flows for the years ended December 31, 2010 and December 31, 2011 in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
April 12, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

Extended Health Care Plan
Statement of Financial Position

Statement 1

As at December 31

	2011				2010	January 1, 2010
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total (Restated Note 8)	Total
FINANCIAL ASSETS						
Due from General Revenue Fund (Note 4)	$ 208,885	$ 4,539,155	$215,655	$ 4,963,695	$ 4,046,675	$4,491,429
Contributions receivable and settlement receivable (Note 8)	1,078,973	9,277,087	16,962	10,373,022	9,926,519	922,043
	1,287,858	13,816,242	232,617	15,336,717	13,973,194	5,413,472
LIABILITIES						
Accounts payable and Accrued liabilities (Note 6)	14,660	-	-	14,660	8,172	203,599
	14,660	-	-	14,660	8,172	203,599
Net Assets and Accumulated Surplus (Statement 2) (Note 2)	$1,273,198	$13,816,242	$232,617	$15,322,057	$13,965,022	$5,209,873

(See accompanying notes to the financial statements)

Extended Health Care Plan
Statement of Operations and Net Assets

Statement 2

For The Year Ended December 31

	2011					2010
	Budget	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total (Restated Note 8)
REVENUES	(Note 7)					
Contributions (Note 1 & 8)	$12,788,000	$10,188,091	$2,601,246	$192,995	$12,982,332	$21,475,469
Interest Income (Note 4)	47,800	-	43,301	2,448	45,749	24,696
	12,835,800	10,188,091	2,644,547	195,443	13,028,081	21,500,165
EXPENSES						
Insurance premiums	11,935,000	11,564,484	-	-	11,564,484	11,939,192
Interest (Note 4)	3,360	1,266	-	-	1,266	1,740
Administration (Note 6)	152,804	105,296	-	-	105,296	80,232
	12,091,164	11,671,046	-	-	11,671,046	12,021,164
Surplus (Deficit) for the year before the following:	744,636	(1,482,955)	2,644,547	195,443	1,357,035	9,479,001
Interfund transfers (Note 1)	-	2,037,000	(1,808,000)	(229,000)	-	-
Transfer to PEDF (Note 1)	(75,000)	-	-	-	-	(723,852)
Annual Surplus (Deficit)	669,636	554,045	836,547	(33,557)	1,357,035	8,755,149
NET ASSETS, BEGINNING OF YEAR	4,965,022	719,153	12,979,695	266,174	13,965,022	5,209,873
NET ASSETS, END OF YEAR (Statement 1)	$5,634,658	$1,273,198	$13,816,242	$232,617	$15,322,057	$13,965,022

(See accompanying notes to the financial statements)

Extended Health Care Plan
Statement of Cash Flow

Statement 3

For The Year Ended December 31

	2011				2010
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Cash flow from (used in) operating activities:					
Contributions received	$ 9,835,458	$ 2,508,783	$ 191,588	$12,535,829	$ 11,807,141
PS/GE SGEU Surplus Funds received on behalf of the PEDF (Note 1)	-	-	-	-	663,852
PS/GE SGEU Surplus Funds paid to the PEDF (Note 1)	-	-	-	-	(848,589)
Interest (paid) received	(1,266)	43,301	2,448	44,483	22,956
Insurance premiums paid	(11,558,582)	-	-	(11,558,582)	(11,943,395)
Administration expense paid	(104,710)	-	-	(104,710)	(86,719)
Cash flow from (used in) operating activities	(1,829,100)	2,552,084	194,036	917,020	(384,754)
Net increase (decrease) due from General Revenue Fund	(1,829,100)	2,552,084	194,036	917,020	(384,754)
Interfund transfers (Note 1)	2,037,000	(1,808,000)	(229,000)	-	-
Transfer to PEDF (Note 1)	-	-	-	-	(60,000)
	207,900	744,084	(34,964)	917,020	(444,754)
Due from General Revenue Fund, Beginning of year	985	3,795,071	250,619	4,046,675	4,491,429
Due from General Revenue Fund, end of year	$ 208,885	$ 4,539,155	$ 215,655	$ 4,963,695	$ 4,046,675

(See accompanying notes to the financial statements)

Extended Health Care Plan
Notes to the Financial Statements

December 31, 2011

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600 (CUPE) Benefit Plans' Surplus Fund.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

Extended Health Care Fund

The Extended Health Care Fund covers members from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.78% of regular payroll for PS/GE SGEU and 1.43% of regular payroll for CUPE members. The contribution rates are established pursuant to PS/GE SGEU and CUPE collective bargaining agreements with the Government.

The Government through the Minister of Finance has entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan pays premiums for eligible employees to the insurance company as set out in the agreement. The Plan's risk is limited to the payment of these premiums.

Benefit Plans' Surplus Funds

The PS/GE SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were established to meet the terms of the PS/GE SGEU and CUPE collective bargaining agreements with the Government. The Surplus Funds receive contributions on behalf of members from employers whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- 0.47% of regular payroll of PS/GE SGEU members
- 0.82% of regular payroll of CUPE members

The intent of the Surplus Funds is to offset cost increases of the benefit plans. Enhanced dental benefits are provided to PS/GE SGEU and CUPE members through the Public Employees Dental Fund (PEDF). The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds.

The Joint Board of Trustees authorized PEBA to transfer adequate resources from the Surplus Funds to the Extended Health Care Fund in order to provide extended health care benefits over the term of the contract with the insurance company. Accordingly, PEBA transferred to the Extended Health Care Fund $1,808,000 (2010 - $1,999,000) and $229,000 (2010 - $249,500) from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund respectively.

The Joint Board of Trustees also authorized PEBA to transfer adequate resources from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund to the PEDF in order to provide enhanced dental benefits to participating SGEU and CUPE members to December 31, 2011. Accordingly, PEBA transferred $0 (2010 - $0) from the PS/GE SGEU Benefit Plans' Surplus Fund and $0 (2010 - $60,000) from the CUPE Benefit Plans' Surplus Fund to the PEDF. In addition, the Board authorized that PS/GE SGEU Benefit Plans' Surplus funding of .47% be redirected to the PEDF for the period August 1, 2007 to December 31, 2008 and extended to March 31, 2010. This amounted to $0 during 2011 (2010 - $663,852).

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. These statements also do not present a Statement of Changes in Net Assets as the Plan does not hold any non-financial assets. The following accounting policies are considered significant:

a) Contributions

Contribution billings are done at the end of each month. Contributions are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

The Plan's financial instruments consist of due from the General Revenue Fund, contributions receivable, settlement receivable, and accounts payable and accrued liabilities.

Financial assets are measured at fair value. Gains and losses on financial assets are recognized in the Statement of Operations and Net Assets when the financial asset is derecognized due to disposal or impairment.

For due from General Revenue Fund, fair value is determined as cost plus accrued income, which approximates market value.

Accounts Receivable and other financial liabilities are measured at cost. Due to their short-term nature, the cost of these instruments approximates their fair value.

d) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Key areas where management has made estimates and assumptions include those related to the fair value of financial instruments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Adoption of new accounting standards

Effective January 1, 2011, the Plan adopted Canadian public sector accounting standards. These standards were adopted with retrospective restatement, and therefore the 2010 comparative figures have been restated. No adjustments were required from the adoption of these accounting standards. The opening statement of financial position in accordance with Canadian public sector accounting standards as of January 1, 2010 has been disclosed for comparative purposes.

In addition, effective January 1, 2011, the Plan early adopted Sections PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation and PS 1201, Financial Statement Presentation on a prospective basis, without restatement of 2010 comparative figures. No adjustments were required from the adoption of these accounting standards.

4. Due from General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are co-mingled in one bank account. The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's bank account balance is recorded as due from General Revenue Fund to the Benefit Plans' Surplus Funds and to the Extended Health Care Fund separately on the Statement of Financial Position.

The General Revenue Fund calculates interest earned and owing on a quarterly basis using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2011 was 1.05% (2010 – 0.60%).

5. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk. The Plan is not exposed to market risk or liquidity risk as it does not hold any investments.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2011	2010
Due from General Revenue Fund	$4,963,695	$4,046,675
Contributions receivable	1,373,022	926,519

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet a minimum investment standard of R-1 as determined by a recognized credit rating agency. The Plan did not hold any investments at December 31, 2011.

The Plan is exposed to minimal credit risk from the potential non-payment of contributions as these are receivables from government agencies and were collected shortly after year end.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All contributions and contributions receivable are from related parties. Also, in 2011, PEBA charged the Plan $105,296 (2010 – $80,232) for administration expenses. Included in accounts payable and accrued liabilities is $8,216 (2010 – $7,630) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees. The budget was approved on March 22, 2011. Budget figures have not been audited, and are presented for information purposes.

8. Prior period adjustment

In January 2011, an arbitration ruling was issued that the Government of Saskatchewan shall pay to bring the PS/GE SGEU Benefit Plans' Surplus Fund (the fund) into a surplus position of $15,000,000. This issue between the Saskatchewan Government and Saskatchewan Government General Employees' Union (PS/GE SGEU) arose between the parties regarding the language pertaining to the extended health care plan funding. The arbitrator ruled in favour of the PS/GE SGEU and the required payment from the Government will occur either on the renewal of the new collective bargaining agreement, or June 30, 2013, whichever comes first. The amount of the payment is contingent on the balance of the fund at the time of payment. As this ruling took place before the 2010 Annual Report was finalized, the December 31, 2010 financial statements have been restated to reflect the estimated settlement receivable of $9,000,000 as indicated below:

Statement of Financial Position

Contributions Receivable reported 2010	$ 926,519
Adjustment	9,000,000
Restated Contributions Receivable and Settlement Receivable	$9,926,519
Net Assets and Accumulated Surplus reported 2010	$ 4,965,022
Adjustment	9,000,000
Restated Net Assets and Accumulated Surplus	$13,965,022

Statement of Operations and Net Assets

Contributions reported 2010	$12,475,469
Adjustment	9,000,000
Restated Contributions	$21,475,469
Annual Surplus (Deficit) reported 2010	$ (244,851)
Adjustment	9,000,000
Restated Annual Surplus	$8,755,149
Net Assets end of year reported 2010	$ 4,965,022
Adjustment	9,000,000
Restated Net Assets end of year	$13,965,022